

WITHDRAWAL SHEET

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Date: 12/29/99
Glasser/F98-055-1

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. Memo	John Poindexter to Reagan, re: Covert Action Finding Regarding Iran, 3 p. <i>R 11/01/01 NLSF98-055/1 #49</i>	1/17/86	P1/F1
2. Finding	Finding Pursuant to Section 662 of the Foreign Assistance Act of 1961 As Amended....., 1 p. <i>R 11/01/01 NLSF98-055/1 #50</i>	1/17/86	P1/F1

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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C. Closed in accordance with restrictions contained in donor's deed of gift.

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THE WHITE HOUSE

WASHINGTON

January 17, 1986

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER *JP*

SUBJECT: Covert Action Finding Regarding Iran

Prime Minister Peres of Israel secretly dispatched his special advisor on terrorism with instructions to propose a plan by which Israel, with limited assistance from the U.S., can create conditions to help bring about a more moderate government in Iran. The Israelis are very concerned that Iran's deteriorating position in the war with Iraq, the potential for further radicalization in Iran, and the possibility of enhanced Soviet influence in the Gulf all pose significant threats to the security of Israel. They believe it is essential that they act to at least preserve a balance of power in the region.

The Israeli plan is premised on the assumption that moderate elements in Iran can come to power if these factions demonstrate their credibility in defending Iran against Iraq and in deterring Soviet intervention. To achieve the strategic goal of a more moderate Iranian government, the Israelis are prepared to unilaterally commence selling military materiel to Western-oriented Iranian factions. It is their belief that by so doing they can achieve a heretofore unobtainable penetration of the Iranian governing hierarchy. The Israelis are convinced that the Iranians are so desperate for military materiel, expertise and intelligence that the provision of these resources will result in favorable long-term changes in personnel and attitudes within the Iranian government. Further, once the exchange relationship has commenced, a dependency would be established on those who are providing the requisite resources, thus allowing the provider(s) to coercively influence near-term events. Such an outcome is consistent with our policy objectives and would present significant advantages for U.S. national interests. As described by the Prime Minister's emissary, the only requirement the Israelis have is an assurance that they will be allowed to purchase U.S. replenishments for the stocks that they sell to Iran. We have researched the legal problems of Israel's selling U.S. manufactured arms to Iran. Because of the requirement in U.S. law for recipients of U.S. arms to notify the U.S. government of transfers to third countries, I do not recommend that you agree with the specific details of the Israeli plan. However, there is another possibility. Some time ago Attorney *Conrad*

DECLASSIFIED / RELEASED

NLS F98-055/1 #49

BY *Smf*, NARA, DATE 11/01/01

General William French Smith determined that under an appropriate finding you could authorize the CIA to sell arms to countries outside of the provisions of the laws and reporting requirements for foreign military sales. The objectives of the Israeli plan could be met if the CIA, using an authorized agent as necessary, purchased arms from the Department of Defense under the Economy Act and then transferred them to Iran directly after receiving appropriate payment from Iran.

The Covert Action Finding attached at Tab A provides the latitude for the transactions indicated above to proceed. The Iranians have indicated an immediate requirement for 4,000 basic TOW weapons for use in the launchers they already hold.

The Israeli's are also sensitive to a strong U.S. desire to free our Beirut hostages and have insisted that the Iranians demonstrate both influence and good intent by an early release of the five Americans. Both sides have agreed that the hostages will be immediately released upon commencement of this action. Prime Minister Peres had his emissary pointedly note that they well understand our position on not making concessions to terrorists. They also point out, however, that terrorist groups, movements, and organizations are significantly easier to influence through governments than they are by direct approach. In that we have been unable to exercise any suasion over Hizballah during the course of nearly two years of kidnappings, this approach through the government of Iran may well be our only way to achieve the release of the Americans held in Beirut. It must again be noted that since this dialogue with the Iranians began in September, Reverend Weir has been released and there have been no Shia terrorist attacks against American or Israeli persons, property, or interests.

Therefore it is proposed that Israel make the necessary arrangements for the sale of 4000 TOW weapons to Iran. Sufficient funds to cover the sale would be transferred to an agent of the CIA. The CIA would then purchase the weapons from the Department of Defense and deliver the weapons to Iran through the agent. If all of the hostages are not released after the first shipment of 1000 weapons, further transfers would cease.

On the other hand, since hostage release is in some respects a byproduct of a larger effort to develop ties to potentially moderate forces in Iran, you may wish to redirect such transfers to other groups within the government at a later time.

The Israelis have asked for our urgent response to this proposal so that they can plan accordingly. They note that conditions inside both Iran and Lebanon are highly volatile. The Israelis are cognizant that this entire operation will be terminated if the Iranians abandon their goal of moderating their government or allow further acts of terrorism. You have discussed the general outlines of the Israeli plan with Secretaries Shultz and Weinberger, Attorney General Meese and Director Casey. The Secretaries do not recommend you proceed with this plan. Attorney General Meese and Director Casey believe the short-term and long-term objectives of the plan warrant the policy risks involved and recommend you approve the attached Finding. Because of the extreme sensitivity of this project, it is recommended that you exercise your statutory prerogative to withhold notification of the Finding to the Congressional oversight committees until such time that you deem it to be appropriate.

Recommendation

OK NO

RR

per
JL

— That you sign the attached Finding.

Prepared by:
Oliver L. North

Attachment

Tab A - Covert Action Finding

1000 17 Jan 80

President was briefed verbally from this paper
VP, Dan Regan and Don Feltman were present.

JL

Finding Pursuant to Section 662 of
The Foreign Assistance Act of 1961
As Amended, Concerning Operations
Undertaken by the Central Intelligence
Agency in Foreign Countries, Other Than
Those Intended Solely for the Purpose
of Intelligence Collection

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.

SCOPE

DESCRIPTION

Iran

Assist selected friendly foreign liaison services, third countries and third parties which have established relationships with Iranian elements, groups, and individuals sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts, and (3) furthering the release of the American hostages held in Beirut and preventing additional terrorist acts by these groups. Provide funds, intelligence, counter-intelligence, training, guidance and communications and other necessary assistance to these elements, groups, individuals, liaison services and third countries in support of these activities.

The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related materiel in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the materiel for purposes other than that provided by this Finding.

DECLASSIFIED

The White House
Washington, D.C.
Date January 17, 1986

Ronald Reagan

NLS F98-055/1 #50

BY AND

NARS DATE 11/01/01

WITHDRAWAL SHEET

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Collection: CULVAHOUSE, ARTHUR B.: Files

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File Folder: IRAN/ARMS TRANSACTIONS: Memoranda from
William Casey

CFOA 1130

Date: 12/29/99
Glasser/F98-055-1

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. Memo	Casey to Deputy Director of Central Intelligence, 1 p. <i>PART. 7/27/02 F98-0551, #58</i>	12/10/85	P1/F1, <i>b3</i>
2. Memo	re: Israle/Iran, (1 page partial memo), 1 p. <i>PART. #59</i>	1/13/86	P1/F1, <i>b3</i>

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SI - 36
10 December 1985

MEMORANDUM FOR: Deputy Director of Central Intelligence
FROM: Director of Central Intelligence

FOIA(b) (1)
FOIA(b) (3)

1. At the 1030 meeting today, Bud reported on his discussions over the weekend with Gorbanifehr in London. He did not have a good impression of Gorbanifehr and recommended that we not pursue the proposed relationship with him. [REDACTED]

2. Everybody supported this in our roundtable discussion. Other options which Bud had suggested were to let the Israelis go ahead doing what they would probably do anyway, and hope that we get some benefit, or to mount a rescue effort. The President argued mildly for letting the operation go ahead without any commitments from us except that we should ultimately fill up the Israeli pipeline in any event, or the Congress will do it for us. He was afraid that terminating the ongoing discussions, as Bud had speculated they might, could lead to early action against the hostages. The trend of the succession of this was that it was a little disingenuous and would still bear the onus of having traded with the captors and provide an incentive for them to do some more kidnapping, which was the main burden of the argument against going forward on the program. The President felt that any ongoing contact would be justified and any charges that might be made later could be met and justified as an effort to influence future events in Iran. I did point out that there was historical precedent for this and that was always the rationale the Israelis had given us for their providing arms to Iran. [REDACTED]

3. [REDACTED]

4. As the meeting broke up, I had the idea that the President had not entirely given up on encouraging the Israelis to carry on with the Iranians. I suspect he would be willing to run the risk and take the heat in the future if this will lead to springing the hostages. It appears that Bud has the action. [REDACTED]

William J. Casey

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NLS F98-0551-458
By CS, NARA, Date 7/22/02

SECRET

13 Jan 1986

FOIA(b)(1)

FOIA(b)(3)

The Israelis are moving ahead on their Tow for Hostage deal with the Iranians. You will recall that in Sporkin's legal analysis there were two options: one for DoD to do it directly with the Israelis, the other to do it through CIA. Sporkin feels that the most defensible way to do it from a legal standpoint is through CIA. We prefer keeping CIA out of the execution even though a Presidential Finding would authorize the way Defense would have to handle the transactions.

Under this option, the idea was that the Israelis would buy the improved version of the Tow and ship to the Iranians the basic Tows they now have. The Israelis would then replace those basic Tows by buying the improved version. Unfortunately, there is not enough money available to do this. The Iranians have placed \$22 million in an account in Switzerland. This is enough for the basic Tows, but for the Israelis to buy the improved version it would cost about \$44 million.

Therefore, they want to use the second option under which CIA would buy basic Tows from [REDACTED]

[REDACTED] The money for the Iranian account would be transferred to the Israelis. The Israelis would transfer that money to a CIA account to pay for this purchase of the Tows from DoD, the shippers would move the Tows to the Israelis who would then move them on to the Iranians. The Israelis would keep their basic Tows and the problem of upgrading them to the new Tows would be handled in the normal DoD-Israeli relationship.



DECLASSIFIED IN PART
NLS F98-0551, #59
By GJS 7/22/02